



SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

For complete Form 19b-4 instructions please refer to the EFFS website.

**Form 19b-4 Information**

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The self-regulatory organization must provide all required information, presented in a clear and comprehensible manner, to enable the public to provide meaningful comment on the proposal and for the Commission to determine whether the proposal is consistent with the Act and applicable rules and regulations under the Act.

**Exhibit 1 - Notice of Proposed Rule Change**

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The Notice section of this Form 19b-4 must comply with the guidelines for publication in the Federal Register as well as any requirements for electronic filing as published by the Commission (if applicable). The Office of the Federal Register (OFR) offers guidance on Federal Register publication requirements in the Federal Register Document Drafting Handbook, October 1998 Revision. For example, all references to the federal securities laws must include the corresponding cite to the United States Code in a footnote. All references to SEC rules must include the corresponding cite to the Code of Federal Regulations in a footnote. All references to Securities Exchange Act Releases must include the release number, release date, Federal Register cite, Federal Register date, and corresponding file number (e.g., SR-[SRO]-xx-xx). A material failure to comply with these guidelines will result in the proposed rule change being deemed not properly filed. See also Rule 0-3 under the Act (17 CFR 240.0-3)

**Exhibit 2 - Notices, Written Comments, Transcripts, Other Communications**

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Exhibit Sent As Paper Document

Copies of notices, written comments, transcripts, other communications. If such documents cannot be filed electronically in accordance with Instruction F, they shall be filed in accordance with Instruction G.

**Exhibit 3 - Form, Report, or Questionnaire**

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Exhibit Sent As Paper Document

Copies of any form, report, or questionnaire that the self-regulatory organization proposes to use to help implement or operate the proposed rule change, or that is referred to by the proposed rule change.

**Exhibit 4 - Marked Copies**

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The full text shall be marked, in any convenient manner, to indicate additions to and deletions from the immediately preceding filing. The purpose of Exhibit 4 is to permit the staff to identify immediately the changes made from the text of the rule with which it has been working.

**Exhibit 5 - Proposed Rule Text**

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The self-regulatory organization may choose to attach as Exhibit 5 proposed changes to rule text in place of providing it in Item I and which may otherwise be more easily readable if provided separately from Form 19b-4. Exhibit 5 shall be considered part of the proposed rule change.

**Partial Amendment**

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If the self-regulatory organization is amending only part of the text of a lengthy proposed rule change, it may, with the Commission's permission, file only those portions of the text of the proposed rule change in which changes are being made if the filing (i.e. partial amendment) is clearly understandable on its face. Such partial amendment shall be clearly identified and marked to show deletions and additions.

**Amendment No. 4**  
**Form 19b-4 Information**

**1. Text of Proposed Rule Change**

- (a) The Chicago Stock Exchange, Incorporated (the “CHX” or the “Exchange”), pursuant to Rule 19b-4 of the Securities Exchange Act of 1934 (the “Act”), submits an amendment to its proposal to prohibit Exchange participants from using any communications means to send orders to another market for execution (a “layoff service”) unless that layoff service has established a process for providing the Exchange with specific information about the orders and the executions that participants receive. This amendment modifies the proposed effective date of the rule change from September 30, 2005 to October 31, 2005 for NASDAQ/NM securities; the proposed effective date for Dual Trading System issues would remain September 30, 2005.

**ARTICLE V**

Admission to Floor – Communications

\* \* \*

**Member [Wires] Communications from Floor**

RULE 4. No member or member organization shall establish or maintain any telephone or other [wire] communication between his or its office and the Exchange, without prior approval by the Exchange. The Exchange may direct discontinuance of any communication facility terminating on the Floor of the Exchange. It may deprive any member or member organization of the privilege of using any public telephone or means of communications installed by the Exchange for the use of members or member organizations.

*. . . Interpretations and Policies*

.01 Beginning September 30, 2005 (for Dual Trading System issues) or October 31, 2005 (for NASDAQ/NM securities), no Participant shall use any electronic means of communication for sending orders to trade in another market or trading venue (a “layoff service”), until the Participant, or the provider of the layoff service, has established a process for providing the Exchange for such orders, on a real-time basis and in an electronic format acceptable to the Exchange, the following information:

(1) Symbol;

- (2) Clearing Participant;
- (3) Order identifier that uniquely identifies the order;
- (4) Identification of Participant recording the order details;
- (5) Number of shares or quantity of security;
- (6) Side of market;
- (7) Designation of order type (e.g., market, limit, stop, stop limit);
- (8) Whether the order is for the account of a customer or for the account of the Participant sending the order;
- (9) Whether the order is short or short exempt;
- (10) Any limit price and/or stop price;
- (11) Date and time of order transmission;
- (12) The market to which the order was transmitted;
- (13) Time in force;
- (14) Designation as held or not held;
- (15) Any special conditions or instructions (including any customer do-not-display instructions and any all-or-none conditions);
- (16) Any modifications to the details set out in (1)- (15) above, for all or part of an order, or any cancellation of all or part of the order;
- (17) Date and time of transmission of any modifications to the order or any cancellation of the order;
- (18) Date and time of any order expiration;
- (19) Identification of the party canceling or modifying the order;
- (20) Transaction price (if applicable);
- (21) Number of shares executed (if applicable);
- (22) Date and time of execution (if applicable);
- (23) Settlement instructions;
- (24) System-generated time(s) of recording required information; and
- (25) Such other information as the Exchange may from time to time require.

.02 Each Participant or layoff service provider shall synchronize its business clocks that are used for purposes of recording the date and time of any event that must be recorded pursuant to this provision with reference to a time source as designated by the Exchange, and shall maintain the synchronization of such business clocks in conformity with such procedures as are prescribed by the Exchange.

.03 For purposes of this rule, an order shall be any written, oral or electronic instruction to effect a transaction. Each required record of the time of an event shall be expressed in terms of hours, minutes and seconds.

.04 Failure to comply with the provisions of this rule may be considered conduct inconsistent with just and equitable principles of trade, in violation of Article VIII, Rule 7.

.05 No Participant shall use an alternative or additional layoff vendor until it has notified the Exchange of the change.

.06 The provisions of this Rule do not replace any record retention obligations to which the Exchange's Participants may be subject under the Exchange Act and the rules thereunder.

**[Exchange Wires from Floor]**

[RULE 5. For its own use exclusively, the Exchange has contracted for direct wire communication between the Floor of the Exchange and its branch offices. Only employees of the Exchange shall operate the instruments on these direct wires and the control of communication thereon shall at all times be exclusively in the Exchange and its employees.]

**2. Procedures of Self-Regulatory Organization**

The proposed rule change was approved by the Exchange's Board of Governors at a meeting on August 5, 2004. No further approval is required.

**3. Self-Regulatory Organization's Statement on the Purpose of, and Statutory Basis for, the Proposed Rule Change**

- (a) As noted in the original filing, the Exchange is proposing to amend its rule relating to communications from the trading floor to provide the Exchange with the layoff service information that it needs to enhance its surveillance programs. Through this Amendment No. 4, the Exchange is seeking to revise the proposed effective date of the new rule to October 31, 2005 for NASDAQ/NM securities; the effective date for Dual Trading System issues would remain September 30, 2005. The Exchange believes that this later effective date for NASDAQ/NM securities will better allow all of its participants (and their layoff vendors) to be able to comply with the rule on its effective date.
- (b) Approval of the rule change proposed in this submission is consistent with the requirements of the Act and the rules and regulations thereunder that are applicable to a national securities exchange, and, in particular, with the requirements of Section 6(b). In particular, the proposed change is consistent with Section 6(b)(5) of the Act in that it is designed to promote just and equitable principles of trade, to remove impediments and to perfect the mechanism of a free and open market and a national market

system, and, in general, to protect investors and the public interest by permitting the Exchange to require its participants (or their layoff service providers) to provide the Exchange with data necessary to conduct appropriate surveillance of its participants' trading activities.

**4. Self-Regulatory Organization's Statement of Burden on Competition**

The Exchange believes that no burden will be placed on competition as a result of the proposed rule changes.

**5. Self-Regulatory Organization's Statement on Comments on the Proposed Rule Change Received from Members, Participants or Others**

No written comments were solicited or received.

**6. Extension of the Time Period for Commission Action**

The Exchange does not consent to an extension of the time period specified in Section 19(b)(2) of the Act.

**7. Basis for Summary Effectiveness Pursuant to Section 19(b)(3) or for Accelerated Effectiveness Pursuant to Section 19(b)(2)**

Not applicable.

**8. Proposed Rule Change Based on Rule of Another Self-Regulatory Organization or of the Commission**

The proposed rule change is not specifically based on the rules of other self-regulatory organizations or of the Commission. Other market regulators, however, require their members to collect and report information about their order handling activities. *See* NYSE Rules 123 (relating to records of orders) and 132B (relating to specific order tracking requirements); NASD Rules 6951-6957 (relating to the Order Audit Trail System).

**9. Exhibits**

Exhibit 1: A form of notice for the Federal Register is attached as Exhibit 1.

Exhibits 2-3: Not applicable.

Exhibit 4: A marked version of the proposed rule text, showing changes from the text included in Amendment No. 3.

Exhibit 5: Not applicable.

**Exhibit 1**

**SECURITIES AND EXCHANGE COMMISSION**

**(Release No. 34-\_\_\_\_\_ ; File No. SR-CHX-2004-25)  
SELF-REGULATORY ORGANIZATIONS**

**Proposed Rule Change By The Chicago Stock Exchange, Inc. Regarding A Prohibition On The Use Of Layoff Vendors Unless Those Vendors Provide Required Information To The Exchange**

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (the “Act”), 15 U.S.C. 78s(b)(1), notice is hereby given that on August 31, 2004, the Chicago Stock Exchange, Inc. (“CHX” or “Exchange”) filed with the Securities and Exchange Commission (the “Commission”) the proposed rule change as described in Items I, II and III below, which Items have been prepared by the CHX. On June 7, 2005, the Exchange filed Amendment No. 1 to the proposal; on June 27, 2005, the Exchange filed Amendment No. 2 to the proposal; on August 11, 2005, the Exchange filed Amendment No. 3 to the proposal; and on September 23, 2005, the Exchange filed Amendment No. 4 to the proposal. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

**I. Self-Regulatory Organization’s Statement of the Terms of Substance of the Proposed Rule Change**

The Chicago Stock Exchange, Incorporated (the “CHX” or the “Exchange”), pursuant to Rule 19b-4 of the Securities Exchange Act of 1934 (as amended, the “Act”), submits an amendment to its proposal to prohibit Exchange participants from using any communications means to send orders to another market for execution (a “layoff service”) unless that layoff service has established a process for providing the Exchange

with specific information about the orders and the executions that participants receive. This amendment modifies the proposed effective date of the rule change from September 30, 2005 to October 31, 2005 for NASDAQ/NM securities; the proposed effective date for Dual Trading System issues would remain September 30, 2005.

**II. Self-Regulatory Organization's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change**

In its filing with the Commission, the CHX included statements concerning the purpose of and basis for the proposed rule changes and discussed any comments it received regarding the proposal. The text of these statements may be examined at the places specified in Item IV below. The CHX has prepared summaries, set forth in sections A, B and C below, of the most significant aspects of such statements.

*A. Self-Regulatory Organization's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Changes*

1. Purpose

As noted in the original filing, the Exchange is proposing to amend its rule relating to communications from the trading floor to provide the Exchange with the layoff service information that it needs to enhance its surveillance programs. Through this Amendment No. 4, the Exchange is seeking to revise the proposed effective date of the new rule to October 31, 2005 for NASDAQ/NM securities; the effective date for Dual Trading System issues would remain September 30, 2005. The Exchange believes that this later effective date for NASDAQ/NM securities will better allow all of its participants (and their layoff vendors) to be able to comply with the rule on its effective date.

## 2. Statutory Basis

The CHX believes the proposal is consistent with the requirements of the Act and the rules and regulations thereunder that are applicable to a national securities exchange, and, in particular, with the requirements of Section 6(b).<sup>1</sup> The CHX believes the proposal is consistent with Section 6(b)(5) of the Act<sup>2</sup> in that it is designed to promote just and equitable principles of trade, to remove impediments, and to perfect the mechanism of, a free and open market and a national market system, and, in general, to protect investors and the public interest by permitting the Exchange to require its participants (or their layoff service providers) to provide the Exchange with data necessary to conduct appropriate surveillance of its participants' trading activities.

### *B. Self-Regulatory Organization's Statement of Burden on Competition*

The Exchange does not believe that the proposed rule changes will impose any burden on competition.

### *C. Self-Regulatory Organization's Statement on Comments Regarding the Proposed Rule Changes Received from Members, Participants or Others*

No written comments were either solicited or received.

## **III. Date of Effectiveness of the Proposed Rule Changes and Timing for Commission Action**

Within 35 days of the date of publication of this notice in the Federal Register or within such other period (i) as the Commission may designate up to 90 days of such date if it finds such longer period to be appropriate and publishes its reasons for so finding or (ii) as to which the self-regulatory organization consents, the Commission will:

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<sup>1</sup> 15 U.S.C. 78(f)(b).

- (A) by order approve the proposed rule changes, or
- (B) institute proceedings to determine whether the proposed rule changes should be disapproved.

#### **IV. Solicitation of Comments**

Interested persons are invited to submit written data, views and arguments concerning the foregoing, including whether the proposal is consistent with the Act. Comments may be submitted by any of the following methods:

##### Electronic Comments:

- Use the Commission's Internet comment form (<http://www.sec.gov/rules/sro.shtml>); or
- Send an e-mail to [rule-comments@sec.gov](mailto:rule-comments@sec.gov). Please include File No. SR-CHX-2004-25 on the subject line.

##### Paper Comments:

- Send paper comments in triplicate to Jonathan G. Katz, Secretary, Securities and Exchange Commission, 450 Fifth Street, NW, Washington, DC 20549-0609.

All submissions should refer to File No. SR-CHX-2004-25. This file number should be included on the subject line if e-mail is used. To help the Commission process and review your comments more efficiently, please use only one method. The Commission will post all comments on the Commission's Internet Web site (<http://www.sec.gov/rules/sro.shtml>). Copies of the submission, all subsequent amendments, all written statements with respect to the proposed rule change that are filed

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<sup>2</sup> 15 U.S.C. 78f(b)(5).

with the Commission, and all written communications relating to the proposed rule changes between the Commission and any person, other than those that may be withheld from the public in accordance with the provisions of 5 U.S.C. 552, will be available for inspection and copying in the Commission's Public Reference Room, 450 Fifth Street, NW, Washington, DC 20549. Copies of such filing will also be available for inspection and copying at the principal office of the CHX. All comments received will be posted without change; the Commission does not edit personal identifying information from submissions. You should submit only information that you wish to make available publicly. All submissions should refer to File No. SR-CHX-2004-25 and should be submitted on or before [insert date 21 days from publication in the Federal Register].

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.<sup>3</sup>

Margaret H. McFarland  
Deputy Secretary

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<sup>3</sup> 17 CFR 200.30-3(a)(12).

**EXHIBIT 4**

Additions are underlined; deletions are [bracketed]

**Chicago Stock Exchange Rules**

**ARTICLE V**

**Admission to Floor -- Communications**

\* \* \*

**Member [Wires] Communications from Floor**

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#### **[Exchange Wires from Floor]**

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